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SUBJECT: CHINA SHOWS ASSERTIVENESS AT EU SUMMIT AS LISBON
TREATY ENTERS INTO FORCE

Classified By: Acting Political Minister Counselor
Eric Barboriak. Reasons 1.4 (b) and (d).

¶1. (C) In contrast to MFA claims that the November 30 EU-China Summit held in Nanjing was a positive event with "no points of contention," European diplomats stated that the PRC showed "new assertiveness" with Europe during the summit and noted that discussions calling for increased flexibility in the Chinese currency exchange rate, the announcement of EU anti-dumping measures against the PRC, and a contentious human rights dialogue helped sour the atmosphere immediately prior to the summit. Discussions of climate change, the EU-China relationship, and the international economic crisis at the November 30 summit netted little concrete progress, both sides acknowledged. Noting the uncertainty surrounding the EU following ratification of the Lisbon Treaty and past meetings between the Dalai Lama and European leaders, a Chinese scholar said that the PRC had to make its positions clear on sovereignty and human rights to ensure "definite understanding" by the EU and ensure smooth relations in the future.

MFA Insists the Summit Was Nothing But Positive

¶2. (C) At a December 8 meeting with EmbOffs, MFA Department of European Affairs Deputy Director Fu Wenyan described the November 30 EU-China Summit held in Nanjing as a positive event with "no points of contention." She stated that the summit was conducted in a positive, friendly manner and found press reports to the contrary "interesting." Fu denied reports that Premier Wen Jiabao showed "agitation" during the summit, claiming that Wen was a "man of passion" who was "proud of China." She emphasized that the summit demonstrated great efforts on both sides to stabilize the EU-China relationship while taking into account the broader international context and the new EU circumstances following ratification of the Lisbon Treaty. The PRC wanted to consolidate "strategic trust and commitment" with the EU in order to advance their strategic partnership, for which both sides reiterated support in light of pressing global challenges like climate change and the global financial crisis. China, Fu explained, fully supported the EU integration process, and agreed to maintain the summit format even after the Lisbon Treaty entered into force.

¶3. (C) The major objective of the summit was to serve as a roadmap for EU-China relations, Fu said, adding that both sides agreed to facilitate trade, protect intellectual property rights (IPR), and implement the Geographical Indications Bilateral Cooperation agreement. She stated that the EU had raised no objections regarding trade, technology transfers, openness, or market economy status (MES). EU's pressure on China to increase the flexibility of its currency

(RMB), however, was unfair, Fu said, adding that the PRC had been clear on its position regarding the RMB and that both sides should focus on a common position for a stable financial system.

EU Must Understand PRC Sovereignty Issues

¶4. (C) EU-China tensions caused by the Dalai Lama's meeting with French President Nicolas Sarkozy on December 6, 2008 as well as other European leaders had exposed the need to promote greater understanding between the EU and China, CIIS Department of the European Union Studies scholar Li Weiwei told PolOff December 18. While the Chinese were positive about "Europe's direction," particularly after this summit, increasing communication on these issues remained critical, she said. To prevent further EU "interference" on issues such as sovereignty or human rights from harming bilateral ties, Li said, China must ensure its positions were clearly understood and appreciated.

Contrasting View: Europeans Describe Unfriendly Atmosphere

¶5. (C) On December 3, EconOff met with Joerg Wuttke, President of the European Chamber of Commerce in China. In contrast to the MFA's upbeat assessment of the summit, Wuttke said the mood in Nanjing had been "not very friendly" and that the overall atmosphere of EU-China economic relations was "not good." European Commission President Jose Manuel

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Barroso described the Summit as "difficult," according to Wuttke. The EU won a small gain in the area of IPR at the summit, he said, but otherwise had left empty-handed. Wuttke characterized PRC Premier Wen Jiabao as "aggressive" during the summit and Barroso as "worked up" due to the lack of meaningful agreements. He said Barroso had been particularly disappointed by China's announcement before the summit to cut its carbon intensity only 40-45% from 2005 levels.

¶6. (C) According to Wuttke, PRC's intransigence in Nanjing showed that China cared little about the demands of its foreign partners. He said EU leadership believed it had "lost" China and could no longer negotiate with China productively. The PRC's attitude from the top down showed China felt the EU was not in a position to lecture or teach the Chinese, said Wuttke. At the same time, Chinese leaders feared that the EU would close its market to Chinese imports and investment, Wuttke said, citing consideration by Sweden - one of the most ardent supporters of free trade in the EU) to reject Chinese investors' purchases of Saab and Volvo. If PRC investors could not break into the Swedish market, said Wuttke, then they would face trouble throughout the EU. Wuttke speculated that the post-Lisbon Treaty leadership would take a harder line on economic relations with China, predicting that PRC leaders were in for "a rude awakening" when they meet the new EU leadership.

Currency Issue and Anti-Dumping Measures Sour Summit Atmosphere

¶7. (C) Miguel Ceballos, First Counsellor for the EU Delegation in Beijing, echoed Wuttke's pessimistic view in a meeting with EconOff December 4, describing Barroso as "frustrated." In contrast to MFA Fu's contention that the goal of the summit had been to establish a roadmap for EU-China relations, Ceballos stated that the goal of the EU-China Summit had been to prepare for Copenhagen, but that China actively forestalled progress by raising market economy status, the EU arms embargo, and other long-standing issues not on the agenda. Ceballos attributed the sour mood to the timing of the summit, which followed the EU's announcement of a new anti-dumping investigation and the Euro zone leaders'

push for China to allow its currency to appreciate. Ceballos admitted that scheduling the currency discussion for the day before the summit had been a "tactical error."

18. (C) Providing additional detail, Swedish Embassy First Secretary Nicolas Weeks December 8 told PolOff that on November 29, the Euro Group Trinity, consisting of EU countries that use the Euro, had sought Chinese flexibility in the RMB exchange rate during several meetings with PRC leadership, including Premier Wen. Wen reportedly responded negatively on the RMB exchange rate issue and in a subsequent meeting with EC President Barroso, voiced objection to EU anti-dumping measures on Chinese footwear announced November 28, accusing the EU of protectionism. Barroso reportedly replied that 70,000 Chinese were involved in trade of footwear with the EU, whereas 40 million Chinese are involved in overall trade with the EU, so the Chinese "are making a big deal out of nothing." The EU assessed that the PRC's strong reaction to "a minor issue" was a negotiating tactic to help increase the PRC's international profile and to look strong in the eyes of the Chinese people, said Weeks. China had further accused the EU of using IPR as a pretext to continue trade protectionism and restricting trade in high technology goods with China, according to Weeks. Except for the EU arms embargo, he said, there were no EU regulations restricting exports, including high technology items, to China.

19. (C) Ceballos agreed that both sides had left Nanjing frustrated, but "we were more frustrated than they were." He warned that the EU could close its market to China if it felt the PRC was not respecting either the letter or spirit of international trade rules and open market principles.

Xinjiang /Human Rights Also Strain
Atmosphere Before Summit

10. (C) The EU statement regarding the Xinjiang riots in July, followed by statements condemning the executions of prisoners in Tibet and Xinjiang, contributed to a shaky relationship leading up to the summit, Swedish Embassy First

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Secretary Nicolas Weeks told PolOff December 8. Currently holding the rotating presidency of the EU, Sweden differed from other EU presidencies in its greater focus on human rights, Weeks said, an issue China had wanted "out of the way" before the summit. The EU Human Rights Dialogue was held on November 19 under a strained atmosphere, though the Chinese had declared it a success, Weeks stated. During the dialogue, PRC participants had been assertive, using "EU tactics and methods" against their EU interlocutors, he said.

For example, Weeks said that when the EU condemned the use of the death penalty and revocation of lawyers, licenses in China, the PRC responded by accusing the EU of discriminating against minorities such as Muslims, Jews, Romas, and Samis (a minority in the north of Sweden), and not guaranteeing their adequate representation in European parliaments. The dialogue "had witnessed no shouting," Week said, but the mood had been "very icy" throughout, he said.

Climate Change the Most Important
Issue of the Summit

11. (C) Climate change had been the EU's most important issue for the November 30 summit, said Weeks. The EU had expressed appreciation to the PRC for its statements on the climate change but had urged the PRC to "do its maximum and show leadership." Wen, however, as before, reportedly had insisted on adhering to the concept of "common but differentiated responsibilities." Because China had emphasized its status as a developing country and its need to focus on reducing poverty and economic development first, no progress had been realized on climate issues, according to

Weeks. Although much of the China-EU joint statement language on climate was similar to the U.S.-China joint statement from the recent Obama visit, it was much weaker and less specific.

Other Topics At the Summit

12. (C) In discussions regarding the EU-China relationship, China had advocated an early conclusion to the Partnership Cooperation Agreement, called for recognition of market economy status, and pushed for high technology transfers. In response to PRC requests to lift the arms embargo, the EU had replied that China must first meet the established criteria to lift the ban, according to Weeks. On the global economic crisis, China had emphasized that advanced countries "must do more," but did not support EU proposals to upgrade the dialogue on macroeconomic or monetary matters. Weeks reported that though on the agenda, regional international issues had not been discussed, partly due to their inclusion in the EU Troika meeting. Following up on the discussion at the EU-China human rights dialogue, the EU side had raised concerns at the summit regarding China's use of the death penalty, to which the Chinese did not respond, he said.

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